

# Magellan



## Construction

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**May 1999**

### ***About this Sample Entrepreneur Business Plan:***

The following sample NxLevel™ Entrepreneur Business Plan was originally written by a class participant, and subsequently modified to protect proprietary information. As it is primarily a student's work, it is not represented to be a "perfect" business plan, although the presentation is in keeping with the NxLevel™ format and content. It can be used as a sample of what a business plan might contain, and as a model for constructing the various sections.

Your instructor may ask that you review certain sections and suggest improvements, modifications or additions. The purpose of each individual business plan may be different, with varied intended readers. You may also be asked to discuss what information might need to be included or deleted based on the purpose of the plan.

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# **Magellan Construction**

## **I. Executive Summary**

### **Mission Statement**

Magellan Construction strives to build quality affordable homes by providing an honest, fair working relationship with subcontractors, new homeowners, and sales people in an atmosphere where families can experience the pride and satisfaction of designing their own home.

The company goals for the next three years include:

- Investing 45% of profits into the company,
- Developing an infrastructure for long-term planning including growth and organizationally.
- Developing a business succession plan to ensure long-term success.

### **Management and Personnel**

The owners are seasoned business people with an interest in their community. Both owners have operated their own small businesses previous to beginning Magellan Construction. They offer the company experience in construction, real estate, accounting, marketing and public relations. A strong commitment to the company's success is evident from their involvement and interest in continuing education opportunities such as NxLevel Entrepreneurial Business Training.

### **Marketing**

Homes range from 1,000 to 1,300 square feet with builder design or bids on your own home design are provided free of charge. Currently the price of the homes includes 2 acres of land with a view of the Rockies. These homes are reasonably priced in the \$120,000 to \$140,000 price range and offer a one-year warranty and one-on-one follow-up with the owners. All of the homes are inspected for VA, FHA and WCDA lending.

The benefits in buying a new home from Magellan Construction comes down to three basic benefits – QUALITY, EFFICIENCY, and AFFORDABILITY.

### **Financing**

Magellan Construction is interested in obtaining a \$40,000 credit line to assist with the cost of building more than one new home at a time.

## **II. Mission Statement, Goals and Objectives**

### **General Description of the Business**

Magellan Construction provides quality, affordable new homes throughout Landholders County. Speculation custom homes are built within the Wyoming Community Development Authority (WCDA) first-time home buyer price range. The prospective owners can customize cabinets, carpeting, paint, and siding to meet their desires. All homes are inspected throughout the construction phase for VA/FHA approval. Pre-sold homes are built at the buyer's request and specifications.

Magellan Construction is a family-based company that began operating in June of 1997. Roger Magellan and Paul Magellan are the founding partners of the company. Both Roger and Paul serve as General Contractors. Roger specializes in providing customer service, working with sales people and potential clients. Roger has 20 years experience in Real Estate field. Paul specializes in organizing the construction of each new home by coordinating subcontractors, staff and administration. Paul has 12 years experience in construction and operating his own business. Both Roger and Paul work on each new home's construction from start to finish. Twenty five percent of the work is subcontracted to licensed, insured contractors.

Currently, the company builds two custom homes per year. The company is expecting and planning for moderate growth over the next 3 to 5 years due to low interest rates and an increase on the cap in FHA funding. The company plans to expand to building four custom homes per year by 2002. The plan of growth is to work on staggering each new home being built in order for the owners to remain closely involved with each site and to hire sub-contractors as needed. The owners plan on continuing to frame each home. The company has bought three building sites in Bison Valley Estates in order to work on new homes concurrently.

### **Mission Statement**

Magellan Construction strives to build quality affordable homes by providing an honest, fair working relationship with subcontractors, new homeowners, and sales people in an atmosphere where families can experience the pride and satisfaction of designing their own home.

### **Goals & Objectives**

- 1. Goal: By January 31, 2000, Magellan Construction will develop an infrastructure for long-term planning and organizational structure.**

Objective: Develop a market package detailing standard features and benefits offered for individuals home with a pricing list of enhanced features available at the buyers choosing.

Lead person: Barbara

Target Date: June 30, 1999.

Objective: Develop a standard operating procedure for new home sites for VA/FHA/WCDA eligibility.

Lead Person: Paul Magellan

Target Date: June 30, 1999.

Objective: Review financial controls and accounting system with Mark Collorbaum, Bottom Line Tax and Accounting for Small Business, and make necessary adjustments.

Lead Person: Diane Magellan

Target Date: December 31, 1999.

Objective: Develop a system to more efficiently track change orders, contracts, warranties for each building site.

Lead Person: Roger Magellan

Target Date: December 31, 1999.

**2. Goal: Develop a plan for a business succession plan to establish long-term success for Magellan Construction by December 31, 2000.**

Objective: Understand possible succession scenarios by having bi-monthly meetings beginning immediately.

Lead Person: Barbara

Target Date: August 31, 1999.

Objective: Review and provide business “impact” statements for discussion.

Lead Person: Barbara

Target Date: November 30, 1999.

Objective: After formulating a decision based upon impact scenarios, seek legal advice on implications and legalities.

Lead Person: Barbara

Target Date: Dec 31, 1999.

Objective: Review business plan and modify as needed.

Lead Person: Barbara

Target Date: April 30, 2000.

**3. Goal: By December 31, 2001 Magellan Construction will reinvest profits into the business and retain operating profit of \$100,000.**

Objective: After each closing, 45% of the profit will be deposited into the business account by each partner with appropriate documentation of each partners deposit.

Lead Person: Roger and Paul

Target Date: December 31, 2001.

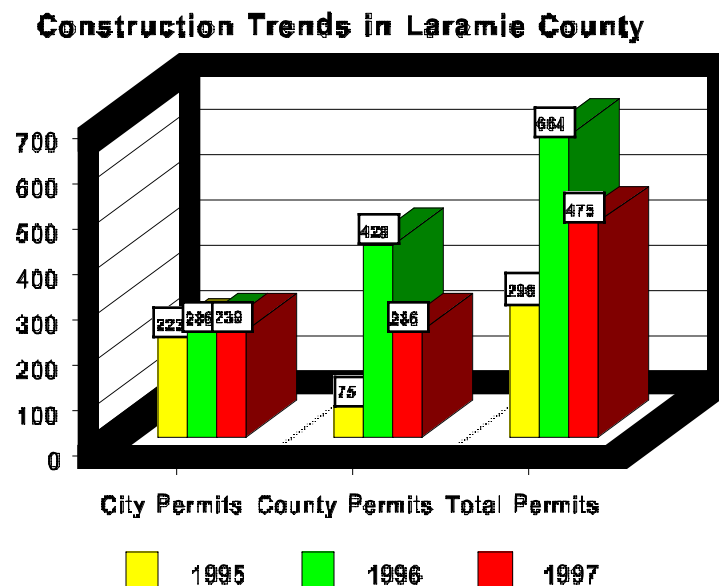
### III. Background Information

#### The Industry

##### Background Industry Information

Magellan Construction operates within two industries: New Home Construction and Real Estate. In Landholders County, where the company conducts business, the construction industry accounts for approximately 4.7% of employment.

In the early-to-mid 1990's interest rates dropped and opened up the housing market across the country. In Landholders County, the average number of homes for sale and/or sold each month has risen since 1993. In 1994, it was estimated that there was 49,450 households living with Landholders County. In 1995 the number of home available for sale and rentals dipped and caused a “seller’s market” in Landholders County, generating a peak in building permits issued in 1996. In 1998 it was estimated that 17,310 single-family homes existed within the Shanoah city limits. The industry has stabilized as far as growth and is remaining consistent. The following charts shows the number of building permits issued from 1995 to 1997.<sup>1</sup>



<sup>1</sup> U.S. Department of Commerce, Bureau of the Census.  
<http://eadiv.state.wy.us/housing/annlbldg.htm>

## **Current and Future Trends**

In Landholders County there is a fairly stable growth pattern in new home construction. Affordable homes, deemed at \$100,000 or less, are lacking throughout Landholders County. As cost for land increases in this area, it will be exceedingly more difficult to offer new homes in that price range. Leading economic indicators place the average close-in rural sales price in Landholders County for new and existing homes at \$151,515.00 dollars.<sup>2</sup>

Although interest rates are beginning to rise, the real estate industry does not expect to see a large impact on the housing market. Even with the slight increase in the rates, homes are still affordable to the average family. Loan amounts under Wyoming Community Development Authority (WCDA), the Federal Housing Authority (FHA), and the Veteran's Administration (VA) have been increased this year. Under WCDA funding, a new rule has been established that allows first time home buyers an opportunity to finance their down payment with a second mortgage on the home they are purchasing. These new government regulations help families purchase homes for the amount they pay for rent with very little money out of pocket for the initial purchase. These are positive trends that indicate that new home construction will remain steady.

Landholders County leads the state in the number of residential building permits issued monthly and annually. The growth rate continues to hover at about 2% per year. The national average is at approximately 4.4% growth rate.

## **Business Fit in the Industry**

Magellan Construction builds two to three custom homes per year. The company works to keep overhead and employee costs low in order to provide homes in a rural setting from \$120,000.00 to \$140,000.00 in Landholders County. In reviewing statistics in the Landholders County area, the average family income is around \$32,500.00. The current average sale price of a close-in rural home is \$151, 515.00.

Although it is tempting to build bigger, more expensive homes, Magellan Construction chooses to remain with their mission "to provide quality, affordable custom homes." By remaining true to its mission, the company is able to offer their homes to a broader section of people living in the Landholders County area. At present, there is only a small number of builders offering new home construction in this price range. Currently, the company averages a six-week turnaround period on their homes from the time they are listed in the Multiple Listing Service to the time they are under contract. Several homes have been pre-sold.

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<sup>2</sup> Shanoah Leads, Economic Indicators

## **IV. Organizational Matters**

### **Organization**

Currently, Magellan Construction is a partnership. The partnership was chosen initially because the business partners wanted to explore the viability of the business relationship.

A partnership allowed the most flexibility with the least amount of financial involvement. The business continues to grow and be successful.

The owners have met and decided that Magellan Construction Company is going to become a Limited Liability Company. The reason for the change is because it will make the business a separate entity and will allow for the business to stay intact regardless of the owners involved. This will be accomplished by December 31, 1999. Roger Magellan and Paul Magellan are the partners and they share ownership equally. In the Limited Liability Company, Roger & Diane Magellan and Paul & Barbara Magellan will be the owners. The company decided to add the spouses due to their increased roles within the company's administration and to protect all parties' financial investments.

### **Management**

**“We perform better and work smarter when we make decisions as a team.”**

Although our business is a family operated business, we all work on a strict professional basis when we deal with business issues. Each member of the management team brings a unique perspective and knowledge to the operation of Magellan Construction. Please see the attached resumes for additional information.

**Roger Magellan—Owner**

- **Real Estate Broker in the Shanoah Community for 20 years**
- **Owner of Magellan Real Estate**
- **Extensive knowledge of sales, marketing, and pricing**
- **Ten years of experience in the construction industry**

**Paul Magellan—Owner**

- **Twelve years experience in construction industry**
- **Prior to moving to Shanoah, operated a successful business, North Pacific Land Design, for 10 years that specialized in landscape and construction**
- **Extensive organizational, time management, and cost control skills**
- **Twelve years experience in bidding projects and estimating costs**

**Diane Magellan—Administrative Assistant**

- **Twenty-five years experience in accounts payable and receivable.**
- **Excellent organizational skills**
- **Experienced in managing day-to-day office issues.**



- **Barbara Magellan—Administrative Assistant**
  - **Three years of experience in financial management of government grants and contracts**
  - **Organizational experience as Executive Director of Non-profit Organization including preparation of financial statements, balance sheets, budget projection, cost control, payroll policy development and implementation.**
  - **Marketing and Public Relations experience**

Currently, we are in the process of interviewing outside advisors for end of the year accounting and legal issues.

## **Risk Management**

Magellan Construction has several Risk Management strategies it uses to minimize risk and protect company investments. Liability Insurance is maintained on the company in the amount of \$500,000.00. Builder's Risk Insurance is obtained for each new home site in case of loss of property or dwelling prior to being sold to the home buyer.

Each subcontractor provides the organization with a copy of their liability insurance prior to completing work at each job site. Lien Waivers are signed by each subcontracting company stating that they have been paid in full by Magellan Construction. This releases the construction company and the new home buyers from assuming the risk from any payments on materials used by subcontractors that subsequently have not been paid for by the subcontractor.

Each owner carries Disability Insurance and each employee is covered by Workers' Compensation.

## **Record-Keeping Functions**

Magellan Construction has a streamlined approach to record keeping. All homes sales are purchased by cash at closing or by a loan obtained by the buyers. In our business we do not have an "Accounts Receivable." Our system is based on "Contracts Receivable." This system is monitored by all of the owners.

For each contract we have an accounting of all expenses billed to the contract or home. Each individual home built or contract has a running account of costs incurred. This enables the owners to constantly evaluate the price/cost ratio and implement budget saving measures if needed. When a home closes or a contract is received we go through and close out each account payable balance and loans with interest based on the building expenses for the project. This insures that creditors are being paid on time. It also acts as a check and balance for our accounting procedures.

**Accounts Payable**—On each product delivered to the job site, one of the owners reviews the invoices and physically accounts for the shipment. If there is a problem with the order, it is noted on the shipping receipt and returned with the delivery driver. The store/supplier is then contacted by the owner and the situation is remedied. If shipment is delivered without an owner on site, the invoices and shipment is checked the following day with a follow-up call if needed.

Each day that an account is used, the owners use an account ledger to document the project, account billed, and the cost of materials. The owners have a notebook with Daily Cash Flow sheets and Account Ledger to document. The notebook also includes payroll information, a file folder for receipts, and a calendar to document miscellaneous expenditures or circumstances. The notebook makes it easier to keep everything organized in one place between job sites and the administrative site. Bank Statements are reconciled monthly by the Administrative Assistant and reviewed by the owners.

**Payroll**—The owners record and calculate payroll based on spreadsheets with deductions, etc., already in place. All payroll taxes and reports are completed and submitted by the Administrative Assistant. Quarterly reports are reviewed by the owners and due dates are pre-recorded on the calendar in the owner's notebook.

## **V. The Marketing Plan**

### **Description of Product and Services**

Known for country living and views of the Rocky Mountains with all of the city conveniences, Bison Valley is conveniently located off of Tristar Ranch Road near the Tristar Ranch. Magellan Construction is offering home buyers many of the amenities found in higher-priced homes without sacrificing comfort or functionality—and first-time buyers can relate to the prices.

### **Features and Benefits**

Homes range from 1,000 to 1,300 square feet with builder design, or bids on your own home design are provided free of charge. Currently the price of the homes includes two acres of land with a view of the Rockies. The homes feature: 2x6 construction, oversized two car garage, Merillat kitchen cabinets, a full unfinished basement with roughed in plumbing and two egress windows, two ceiling fans, two full baths, phone and cable jacks in all the rooms, R-19 exterior insulation, R-38 ceiling insulation, 80% energy-efficient gas forced air heating, engineered foundations, electric oven, lighted ductless hood, multi cycle dishwasher, garbage disposal, weather proof exterior outlets in front and back, and insulated steel front entry doors. Home delivery is guaranteed within 120 calendar days, barring weather delays.

Depending on the phase of construction, the home buyers can choose their own cabinets, carpeting, and vinyl. The builders will pay for costs up to the allowance provided. These homes are reasonably priced in the \$120,000 to \$140,000 price range offering a one-year warranty and one-on-one follow-up with the owners. All of the homes are inspected for VA, FHA and WCDA lending.

The benefits for home buyers are substantial. Homeowners build equity in their home as if it were a savings account. Prices of homes continue to rise due to inflation, leaving the homeowner with the ability to sell for a higher price. With the new WCDA first time home buyer guidelines, families can purchase homes providing them with assets for close to the same amount they are paying in rent.

The benefits in buying a new home from Magellan Construction come down to three basic benefits – QUALITY, EFFICIENCY, and AFFORDABILITY.

- **Quality**  
Quality is provided by the craftsmanship and one-to-one customer relationship with the owners. In addition to the personal relationship, the new home buyers will have the opportunity to choose from high-quality “standard” features or enhance their home further with products of their choosing.

The quality of the finished product and the care the home was built with will be

seen again at closing, the homes are professionally cleaned. The windows are washed and any paint splatter is removed. The carpets are groomed. All the cabinets are cleaned and polished. The floors are hand scrubbed. The new home buyers can unpack and enjoy their new home immediately!

Quality doesn't end when the buyers move-in. The new home owners have a one-year complete warranty on their home. "Complete" means any problems they encounter with their new home from the concrete to the roof is our problem! We will work with subcontractors and suppliers to remedy the situation. The work will be completed at no charge to the new owners within the first year! We will even meet them at the home to review the work and handle payment. We guarantee you won't miss a day of work or even an hour of work due to a household problem in the first year!

- **Efficiency**  
The Efficiency of the home will be noticed on the owner first heating bill. The increased insulation throughout the house and weather proofing will provide the new home owners with an Energy Efficient home to enjoy throughout the year. It will also decrease their heating and cooling cost throughout the year.
- **Affordability**  
Magellan Construction strives to keep its overhead cost to a minimum in order to offer quality new homes from \$120,000.00 to \$140,000.00 price range. These prices include land with views of the Rockies! We cut our costs and pass the savings onto the home buyers.

## **Life Cycles/Seasonality**

The new home construction booms from April through October. During this time we offer pricing incentives to people who are willing to wait for their home to be completed in November through April. This allows us to remain consistent throughout the year including an off-peak season. Homebuilding during the winter months is doable. However, there is fluctuation in weather and you are not necessarily able to complete a home in 120 days due to the weather.

## **Marketing Strategies**

### **Location/Distribution**

Magellan construction is a home-based business. We meet with customers and promote the company and products at the building site. Administrative functions are performed out of our in-home office. By utilizing new homes under construction as our business site, we are able to show the "features and benefits" of the home. Somebody is at the job site throughout the day and usually on the weekends. It also allows us to keep our overhead costs to a minimum. If we utilize an office outside of the home, we would need to keep it staffed during the work day.

## **Price/Quality Relationship**

The price/quality relationship of the homes we build would be considered Low Price/High Quality. Many of our customers comment that the homes we build are solid, well-constructed homes. As testament to that fact: a young couple moving to Shanoah looked at our job site first, wanted to make an offer, (however, we had just accepted a contract on the house), decided to look at other new homes being built because they wanted a place to live as soon as they were transferred, spent four days looking for a house, came back and decided to wait until we could build a home for them because they felt the construction of the home and the features offered for the price surpassed other builders offering home in the same price range.

## **Promotional Strategies**

### **Packaging and Customer Service**

At all times during the construction phase, the job site is kept tidy. Lumber and materials are neatly stacked and organized, the floors are swept, nails are picked up, and garbage kept in a container and removed weekly. The builders have a dress code that includes clean jeans with no holes and a company shirt in the warmer months. During the summer the preferred dress attire includes shorts or jeans with a tank top or company t-shirt.

At closing, the homes are professionally cleaned. The windows are washed and any paint splatter is removed. The carpets are groomed. All the cabinets are cleaned and polished. The floors are hand scrubbed. The new home buyers can unpack and enjoy their new home immediately!

One week after closing, a phone call is made to the buyers from the owners to see if there is any follow-up service to be completed. Small situations are remedied within one week after the call. Larger or more urgent situations are remedied within the same day. We provide 24-hour service calls depending on the situation. When follow-up work is performed, the service person has a task list approved by the buyer of the work being performed. Upon completion, any mess that is made is cleaned before the service person leaves the home.

In addition, in each new home we provide “Housewarming Baskets.” Each decorative basket features a \$20.00 gift certificate for Pizza, a 2-liter bottle of soda, six plastic drinking cups, information for families new to the area—personalized if they have a need for specialized services, all of the manuals for appliances, etc. for their new home, a list of subcontractors who helped build their home, and our magnetized company business card.

The baskets are packaged in a shrink-wrap and tied with a bow. The cost runs about \$30.00. It helps build our company image by promoting us as “good neighbors” interested in meeting the buyer’s needs, and by thanking the customer. This adds a finishing touch, promotes word of mouth advertising, and it helps us to promote our subcontractor also. This small act reiterates our Mission Statement.

## **Public Relations**

The company's second anniversary is June 1, 1999. The newspaper will be contacted to do a focus story about the company anniversary. Since a new home was just completed and there are two weeks before closing, we will be having an "anniversary party" open house by May 28, 1999.

As a member of the Shanoah Young Professionals, monthly meetings offer an opportunity to network and provide word of mouth advertising. We will offer to sponsor a speaker on advantages of new home sales and programs available for first-time home buyers.

Magellan Construction is a Golden Buffalo sponsor for the 1999 Dance in the Buff, a fundraiser for The Arc of Landholders County and Shanoah Respite Programs. The owners are chairing the event this year. All press releases and advertisements have the company phone number, name and contact person. Approximately 300 people attend the event and although this will not necessarily lead to sales, it will promote the company name and mission.

## **Advertising**

Most of the advertising of the home is done by our real estate broker and the cost is included as part of the commission. As part of the commission, our homes are featured in the Realtor On-line Web page, Traders, The Wyoming Tribune Eagle, and the Monthly Real Estate Guide book and include flyers on the business and homes. Open houses are held two to three times a month.

In addition, we have 4X6 signs advertising home sites with the company information. We will be purchasing three additional signs over the next year. We are purchasing letter head, cards, brochures, and folders with the company logo for Marketing Packets.

# The Financial Plan

## Balance Sheets

- Current as of 6/1/99
- Projected as of 12/31/99

## Income Statements

- Projections & Assumptions  
12/31/99
- Projections & Assumptions  
12/31/00
- Projections & Assumptions  
12/31/01

*(In-class question: What additional information, if any, would you suggest be included in the Financial Plan, and why?)*

**Magellan Construction  
Current Balance Sheet  
As of June 1, 1999**

**ASSETS**

Current Assets

Cash	\$ 14,000.00	
A/R	<u>115,000.00</u>	\$129,000.00

Property, Plant, & Equip.

Land	\$ 60,000.00	
Equipment	<u>10,000.00</u>	<u>70,000.00</u>

<b>TOTAL ASSETS</b>		<b><u>\$199,000.00</u></b>
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**LIABILITIES**

Current Liabilities

A/P	\$ 40,000.00	
Wages Payable	<u>0,000.00</u>	\$ 40,000.00

Long-term Liabilities

Notes Payable	<u>\$ 60,000.00</u>	<u>60,000.00</u>
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<b>TOTAL LIABILITIES</b>		<b>\$100,000.00</b>
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<b>OWNER'S EQUITY</b>		<b><u>\$ 99,000.00</u></b>
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<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b><u>\$199,000.00</u></b>
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**Magellan Construction  
Projected Balance Sheet  
As of December 31, 1999**

**ASSETS**

Current Assets

Cash	\$ 42,000.00	
A/R	<u>145,000.00</u>	\$187,000.00

Property, Plant, & Equip.

Land	\$ 20,000.00	
Equipment	<u>10,000.00</u>	<u>30,000.00</u>

**TOTAL ASSETS** **\$217,000.00**

**LIABILITIES**

Current Liabilities

A/P	\$ 40,000.00	
Wages Payable	<u>1,000.00</u>	\$ 41,000.00

Long-term Liabilities

Notes Payable	<u>\$ 66,000.00</u>	<u>66,000.00</u>
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**TOTAL LIABILITIES** **\$107,000.00**

**OWNER'S EQUITY** **110,000.00**

**TOTAL LIABILITIES & EQUITY** **\$217,000.00**

**Magellan Associates Construction – Projected Monthly Income Statement  
for the period ended December 31, 1999**

Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Yearly Total
Sales					\$139,900			\$115,000			\$120,000		\$374,900
Cost of Home Sold					\$107,000			\$89,000			\$90,000		\$286,000
Gross Margin					\$32,900			\$26,000			\$30,000		\$88,900
<b>Operating Expenses</b>													
Non-Labor Exp.						\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$875
Outside Services											\$1,000		\$1,000
Insurance	\$162	\$162	\$162	\$162	\$162	\$162	\$162	\$162	\$162	\$162	\$162	\$162	\$1,944
Advertising		\$450		\$200	\$400			\$500					\$1,550
Cell Phone	\$40	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,140
Repairs & Maintenance	\$241				\$250			\$250			\$250		\$991
Depreciation													
Interest Old-Debt	\$300	\$450	\$500	\$500	\$300	\$300	\$0	\$0	\$350	\$0	\$0	\$0	\$2,700
Interest New Debt	\$150	\$50	\$0	\$0	\$0	\$350	\$0	\$350	\$350	\$0	\$0	\$0	\$1,250
Total Operating Expenses.	\$893	\$1,212	\$762	\$962	\$1,212	\$1,037	\$387	\$1,487	\$1,087	\$387	\$1,637	\$387	\$11,450
Net Profit (Loss) Before Taxes	(\$893)	(\$1,212)	(\$762)	(\$962)	\$31,688	(\$1,037)	(\$387)	\$24,513	(\$1,087)	(\$387)	\$28,363	(\$387)	\$77,450
Owner Withdrawals					\$18,900			\$12,000			\$16,000		\$46,900

## **Projected Income Statement Assumptions**

### **Assumptions—Year Ending December 31, 1999**

#### **Income**

Sales	Based on three homes a year at the contracted prices.
Cost of Homes Sold	Based upon the budgeted amounts includes land cost, labor, building materials, and subcontractors.
Gross Margin	Based upon past projections and budgeted costs.

#### **Operating Expenses**

Non-Labor cost:	Based on purchasing a new computer on 12 months Same As Cash for \$1500.00.
Outside Service:	Based upon review of “succession papers” by an attorney and a review of accounting procedures by an accountant.
Insurance:	Based upon the quote for annual liability insurance.
Advertising:	Purchase of four 4x6 signs for property in February. Purchase of business cards and letterhead in April. Purchase of Specialized folders and marketing material in May. Sponsorship of “Dance in the Buff” donated in August.
Cell Phone:	Based upon average monthly cost.
Repairs/Maintenance	Based upon on average cost of repairing tools
Depreciation	All tools and equipment have been depreciated in prior years.
Interest Old Debt	Based upon average of interest paid in 1998. As the year continues, the company will have more funds available from profit reducing the amount of money borrowed and interest.
Interest New Debt	Based upon average of interest paid in 1998.
Owner Withdrawals	Based upon Gross Margin minus \$14,000.00 per closing. (Both Partners have incomes from another source.)

**Profit held within the company By December 31, 1999: \$30,550**

**Magellan Construction – Projected Monthly Income Statement  
for the period ended December 31, 2000**

Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Yearly Total
Sales				\$145,000			\$140,000			\$130,000			\$415,000
Cost of Home Sold				\$110,000			\$105,000			\$100,000			\$315,000
Gross Margin				\$35,000			\$35,000			\$30,000			\$100,000
<b>Operating Expenses</b>													
Non-Labor Exp.	\$125	\$125	\$125	\$125	\$125								\$625
Outside Services		\$500											\$500
Insurance	\$178	\$178	\$178	\$178	\$178	\$178	\$178	\$178	\$178	\$178	\$178	\$178	\$2,136
Advertising					\$400								\$400
Cell Phone	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Repairs/Maintenance				\$250			\$250			\$250			\$750
Depreciation													
Interest Old-Debt	\$200	\$200	\$200			\$200			\$200				\$1,000
Interest New Debt		\$200			\$200	\$200		\$200	\$200				\$1,000
Total Operating Exp.	\$603	\$1,303	\$603	\$653	\$1,003	\$678	\$528	\$478	\$678	\$528	\$278	\$278	\$7,611
Net Profit (or Loss) Before Taxes	(\$603)	(\$1,303)	(\$603)	\$34,347	(\$1,003)	(\$678)	\$34,472	(\$478)	(\$678)	\$29,472	(\$278)	(\$278)	\$92,389
Owner Withdrawals				\$21,000			\$21,000			\$16,000			\$58,000

## **Assumptions—Year Ending December 31, 2000**

### **Income**

Sales	Based on three homes a year at slightly increased prices to offset rising prices.
Cost of Homes Sold	Based upon the budgeted amounts includes land cost, labor, building materials, and subcontractors.
Gross Margin	Based upon past projections and budgeted costs.

### **Operating Expenses**

Non-Labor cost:	Based on purchasing a new computer on 12 months Same As Cash for \$1500.00.
Outside Service:	Based upon annual Tax Return being completed by an accountant.
Insurance:	Based upon the quote for annual liability insurance plus 10% cost increase.
Advertising:	Based upon refurbishing advertising materials - letterhead, card, marketing packets.
Cell Phone:	Based upon average monthly cost.
Repairs/Maintenance	Based upon on average cost of repairing tools
Depreciation	All tools and equipment have been depreciated in prior years.
Interest Old Debt	Based upon average of interest paid in 1999 with a slight decrease of interest due to using company funds for each project.
Interest New Debt	See above.
Owner Withdrawals	Based upon Gross Margin minus \$14,000.00 per closing. (Both Partners have incomes from another source.)

**Profit held within the company By December 31, 2000: \$64,939**

**Magellan Construction – Projected Monthly Income Statement  
for the period ended December 31, 2001**

Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Yearly Total
Sales				\$145,000			\$140,000			\$130,000			\$415,000
Cost of Home Sold				\$110,000			\$105,000			\$100,000			\$315,000
Gross Margin				\$35,000			\$35,000			\$30,000			\$100,000
<b>Operating Expenses</b>													
Non-Labor Exp.													
Outside Services		\$500					\$500						\$1,000
Insurance	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$196	\$2,352
Advertising					\$1,500			\$500			\$500		\$2,500
Cell Phone	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100		\$1,100
Repairs & Maintenance				\$250			\$250			\$250			\$750
Depreciation													
Interest Old-Debt		\$200	\$200			\$200			\$200				\$800
Interest new Debt	\$200				\$200			\$200					\$600
Total Operating Expenses	\$496	\$996	\$496	\$546	\$1,996	\$496	\$1,046	\$996	\$496	\$546	\$796	\$196	\$9,102
Net Profit (or Loss) Before Taxes	(\$496)	(\$996)	(\$496)	\$34,454	(\$1,996)	(\$496)	\$33,954	(\$996)	(\$496)	\$29,454	(\$796)	(\$196)	\$90,898
Owner withdrawals				\$21,000			\$21,000			\$30,000			\$72,000

## **Assumptions—Year Ending December 31, 2001**

### **Income**

Sales	Based on three homes a year at the same prices as 2000.
Cost of Homes Sold	Based upon the budgeted amounts includes land cost, labor, building materials, and subcontractors.
Gross Margin	Based upon past projections and budgeted costs.

### **Operating Expenses**

Non-Labor cost:	None
Outside Service:	Based upon annual Tax Return being completed by an accountant, review documents with an attorney.
Insurance:	Based upon the quote for annual liability insurance plus 10% cost increase.
Advertising:	Based upon refurbishing advertising materials - letterhead, card, marketing packets. Purchasing new signs. Anniversary celebration including Live Radio Remote. Purchasing new Company T-shirts Purchasing novelty Advertising
Cell Phone:	Based upon average monthly cost.
Repairs/Maintenance	Based upon on average cost of repairing tools
Depreciation	All tools and equipment have been depreciated in prior years.
Interest Old Debt	Based upon average of interest paid in 2000 with a slight decrease of interest due to using company funds for each project.
Interest New Debt	See above.
Owner Withdrawals	Based upon Gross Margin minus \$14,000.00 for the first two closings of the year. (Both Partners have incomes from another source.)

**Profit held within the company By December 31, 2001: \$83,837**

The following Appendix information was not included in this plan for proprietary information reasons, but represents possible Appendix contents that might be appropriate for this type of plan:

**Appendix Section**

1. Photographs of Completed Homes
2. Resumes of Owners
3. Letter of Reference
4. Contracts Pending
5. Business Tax Returns 1997 & 1998
6. Owners Tax Returns for 1996 through 1998
7. Business Credit Report
8. Owners Credit Reports